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### **Arkansas Public Service Commission Advises Customers Regarding Winter Gas Bills**

The Arkansas Public Service Commission advises all natural gas utility customers to anticipate higher natural gas prices for the 2005 - 2006 heating season. Many analysts anticipate that the natural gas cost component of winter gas bills will continue to be higher than in previous years. For example in its Short-Term Energy Outlook released in September 2005, the Energy Information Administration indicated that it expected natural gas wellhead prices to be between \$13.03 to \$15.33 for the 2005 – 2006 heating season (approximately 57% higher than last year's forecast). The price of natural gas is affected by many factors including availability of supplies, economic activity and weather. As described in greater detail below, natural gas bills will likely be 10% to 26% higher and will not increase by 57% this winter.

The Commission does not have the authority to regulate or establish the market price for natural gas. The price of natural gas is determined in unregulated commodity markets. However, the natural gas commodity costs comprise 60% to 80% of gas bills during the heating season. Natural gas

utilities in Arkansas recover gas costs from customers through a Purchased Gas Adjustment Clause (PGA) mechanism which appears as a line item on customer bills. There is no mark-up or profit added to the cost of gas. The utilities only recover from customers the actual cost of the natural gas commodity and the cost of transporting that gas from gas producing regions over interstate pipelines to the natural gas utilities. The costs recovered through the PGA mechanism are subject to Commission review and approval to ensure that the utilities purchase the gas in a prudent manner consistent with the requirements of Arkansas law.

Based upon the anticipated prices of natural gas for the 2005 – 2006 heating season, a residential customer of CenterPoint Energy Arkla (Arkla) using 100 Ccf of gas per month during the winter heating season can expect a monthly gas bill of approximately \$131.75, an increase in the total bill of approximately 10% from the previous year. Using the same gas price information, a residential customer of Arkansas Western Gas Company (AWG) using 100 Ccf of gas per month during the winter heating season can expect a monthly gas bill of approximately \$137.53, an increase in the total bill of approximately 21% from the previous year. A residential customer of Arkansas Oklahoma Gas Corporation (AOG) using 100 Ccf of gas per month during the winter heating season can expect a monthly gas bill of approximately \$142.48, an increase in the total bill of approximately 26% from the previous year, based upon the anticipated gas prices. The bill

estimates reflect the decrease in non-gas rates recently ordered for Arkla, but do not reflect the pending requests for non-gas rate increases of AWG and AOG.

The estimated bills are based upon the best information currently available. At present, natural gas prices are somewhat volatile and are increasing. The full effects of hurricanes Katrina and Rita are not yet known, and the effects of those storms on gas production facilities may cause natural gas commodity prices to increase further. The estimates reflect the effects of the gas utilities' efforts to stabilize and reduce the cost of gas pursuant to the Commission's *Natural Gas Procurement Plan Rules* through purchasing activities including physical and financial hedging, fixed price purchases, and the use of available gas storage capacity which should help to stabilize and reduce prices on customer bills. Additionally, colder than normal winter weather could also lead to higher commodity prices this winter. Changes in gas prices during the coming weeks may alter the cost of gas for the winter heating season. The winter heating season purchased gas adjustment filings will be made near the end of the month of October and will be effective for the months of November 2005 through March 2006.

To prepare for the anticipated level of gas costs customers will likely experience during the 2005 - 2006 heating season, the Commission recommends that customers consider the following actions:

(1) Sign up for the average (levelized) billing option as a means to avoid unexpectedly large natural gas bills this winter. Under the average billing option, your natural gas bill will not fluctuate significantly month to month. Call your local natural gas company to determine if average billing suits your needs. Your particular natural gas company can be contacted at the following telephone numbers: Arkansas Oklahoma Gas Corporation - 800-842-5690; Arkansas Western Gas Company - 800-773-2113; CenterPoint Energy - 800-992-7552.

(2) Identify opportunities to conserve natural gas, such as turning down the thermostat at night and when a home will be empty for two or more hours. It takes less energy to warm up a cool house than it does to maintain a warm temperature all day or all night.

(3) Tune-up heating systems every two years to make sure they are running efficiently, and clean or replace filters every month during the heating season.

(3) Insulate attics, walls, ceilings and floors to improve efficiency and comfort. This will help to save energy and money by slowing the loss of heat to the outdoors.

(4) Seal air leaks to slow the rate at which cold air enters the home. Caulk windows, weatherstrip around door frames, close fireplace dampers when not in use and shut off heat to unused rooms.

For any questions concerning this release, please contact Mr. John P. Bethel, Executive Director, at 501-682-1794 or Mr. Robert Booth, Manager of the Gas and Water Section, at 501-682-5685.

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